



FmHA AN No. 1203 (1945)

May 29, 1985

SUBJECT: Determining the Value of Farm Assets for Emergency (EM) Loan Making Purposes as Required by the "Emergency Agricultural Credit Act of 1984"

TO: All State Directors, Farmer Programs Chiefs, District Directors, County Supervisors, and Director, Finance Office

Purpose: This AN implements the provisions of the "Emergency Agricultural Credit Act of 1984," Public Law (PL) 98-258, and sets forth FmHA policies and guidelines for determining value of collateral offered as security for EM loans.

Comparison with Previous AN: This AN replaces AN No. 1023 (1945) dated May 11, 1984, which expired on April 30, 1985.

Implementation Responsibilities: It is the responsibility of the loan approval official to ensure that the valuation of collateral for EM loans is determined in the following manner:

(a) VALUATION OF FARM ASSETS FOR EM LOAN COLLATERAL.

(1) Requirements of the Act.

The Act requires two determinations of value for farm assets (including land, livestock and equipment) used as collateral to secure EM loans. The value determinations will be the higher of: (1) the value on the day before the designation request for an EM designation, or (2) the value "1 year and 1 day before the designation request."

In addition to the requirements of the Act, FmHA policy requires a determination of present market value. The value used by FmHA (for EM loan making purposes) will be the higher of the three value determinations.

(b) REAL ESTATE VALUE DETERMINATIONS.

- (1) The value of farm real estate offered as collateral for the EM loan(s) will be determined by completing abbreviated appraisals in accordance with §1945.169 (h)(2) of FmHA Instruction 1945-D. If the applicant did not own the real estate on the dates as set forth in (a)(1) of this AN, a present market appraisal will be completed.

In addition to the parts to be completed on Form FmHA 422-1, "Appraisal Report-Farm Tract," SECTION I of PART I WILL BE COMPLETED AND THE DATES SET FORTH IN (a)(1) FOR WHICH VALUE IS BEING DETERMINED WILL BE CLEARLY DOCUMENTED IN PART 8 FORM FMHA 422-1.

EXPIRATION DATE: May 31, 1986 FILING INSTRUCTIONS: Preceding FmHA Instruction 1945-D



- (2) Real estate that will serve as collateral to secure the EM loan will be valued in its "as is" or "as to be improved condition" on the date of the inspection for the appraisal, as appropriate. The analysis of the comparable property sales data will be used to determine the values of the real estate for the "day before the designation request," "1 year and 1 day before the designation request" and the present market.
- (3) The value of FARM REAL ESTATE will be determined by using FmHA's NORMAL APPRAISAL METHODS; however, the comparable properties used in the "Sales Data Approach" to determine the value of the real estate for appraisal No. 1 (present market), should be those sales that would be used for regular FmHA appraisal methods. The comparable properties used in the "Sales Data Approach" for appraisal No. 2, should be those sales that occurred on or before the "day before the designation request." The comparable properties used in the "Sales Data Approach" for appraisal No. 3, should be those sales that occurred on or before "1 year and 1 day before the designation request." The appraisal No. 1 (present market) will be completed first and if adequate collateral value is available to secure the proposed EM loan and THE APPLICANT AGREES IN WRITING, TO USE THE PRESENT MARKET VALUE, no additional appraisals are required.
- (4) COMPARABLE PROPERTY USED IN THE "SALES DATA APPROACH" (FOR EM LOAN REAL ESTATE APPRAISALS) WILL BE THOSE CONFIRMED SALES THAT RESULTED FROM A REASONABLE SALES EFFORT AND THE PURCHASER WAS A WILLING, INFORMED, BUT NOT FORCED SELLER. If comparable properties, as indicated in this paragraph and paragraph (b)(3) of this AN, are not available in the county office unit, the County Supervisor will request assistance from the District Director in locating acceptable comparable properties as described in this paragraph that meet the required dates for appraisals Nos. 1, 2, and 3.
- (5) If real estate "not owned" by the applicant (for example, a relative is offering real estate as collateral for the proposed EM loan) is to be considered as collateral for the EM loan, this "not owned" real estate will be valued by an additional appraisal which reflects the PRESENT RECOMMENDED MARKET VALUE.

- (6) If a single family dwelling located on a nonfarm tract is to be used as collateral (for EM loan making purposes), this nonfarm tract is not considered to be A FARM ASSET. This real estate will be valued at the PRESENT MARKET VALUE as set forth in FmHA Instruction 1922-C. Only Form FmHA 1922-8 will be used to establish the value of this nonfarm tract.
- (7) If other types of real estate such as apartment houses or commercial buildings, etc., are to be offered as collateral for the EM loan, the County Supervisor will request assistance from the State Director in determining the value of such NONFARM ASSETS. Such nonfarm assets will be valued at their present market value.

(c) CHATTEL VALUE DETERMINATIONS.

- (1) Farm assets (chattels) that will serve as collateral for the proposed EM loan will be appraised in their "AS IS" condition on the day of the inspection for the appraisal USING FmHA'S REGULAR APPRAISAL METHODS. However, the "as is" values must be adjusted to reflect the prices and values for:
 - (i) The "day before the request for the designation."
 - (ii) The date that is "1 year and 1 day before the designation request."
- (2) The date for which the value is established will be entered at the top of each value column of Attachment A. In addition, the applicant must indicate on Attachment A whether or not the property was owned on that date.
- (3) The applicant will also sign the certification at the bottom of Attachment A.
- (4) The FmHA appraiser will enter the values on Attachment A under the dates for which the value is being determined. If the applicant did not own the asset(s) on a date for which the value is being determined, no value will be entered in Attachment A for that date. The highest value of each chattel item will be entered in the column entitled "Highest of Three Values." The total of the "Highest of the Three Values" will be the value of farm assets (chattels) used for EM loan making purposes. The present market value will be established first and if adequate collateral value is available to secure the proposed EM loan, and THE APPLICANT AGREES IN WRITING TO USE THE PRESENT MARKET VALUE, no additional appraisals are required.

The sources of values and prices used to determine the value of the farm assets (chattels) will be as set forth in this AN and §1945.169 (h)(2)(ii) of FmHA Instruction 1945-D. Other verified sources of prices and values may be used. THE SOURCES USED TO DETERMINE CHATTEL VALUES WILL BE IDENTIFIED AT THE BOTTOM OF ATTACHMENT A.

- (5) If chattels "not owned" by the applicant are to be offered as collateral for the EM loan, this "not owned" chattel property will be valued by an additional appraisal that reflects the PRESENT MARKET VALUE of the "not owned" chattels.
- (6) If nonfarm chattel type property is offered as collateral (such as a boat, house trailer, airplane, etc.) for the proposed EM Loan, the value of such nonfarm assets will be based on the present market value.

The National Office will advise State Directors by electronic message of the date of the EM designation requests. State Directors will publish the dates to be used to make the value determinations in a State Supplement.

If you have questions on the content of this AN, you may contact Mr. William Krause, Director, Emergency Division, at FTS 382-1632 or commercial (202) 382-1632.

Dwight O. Calhoun
DWIGHT O. CALHOUN
Acting Associate Administrator

Attachments

VALUE DETERMINATION WORK SHEET
(EM LOANS ONLY)

Name _____						Was property owned on Date _____ (1yr prior to Gov's request) yes or no	\$ Value (FmHA use only)	Was property owned on Date _____ (Day before Gov's request) yes or no	\$ Value (FmHA use only)	Date _____ Current Value (FmHA use only)	HIGHEST OF THREE VALUES
ITEM OR CLASS OF LIVESTOCK											
Item No.	Quantity	Kind-sex	Breed	Weight or average weight	Age						
1.											
2.											
3.											
4.											
5.											
6.											
7.											
8.											
9.											
10.											
11.											
12.											
13.											
14.											
15.											

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ITEMS OF FARM AND OTHER EQUIPMENT

Item No.	Qty.	Kind	Manufacturer and Model	Year of Manufacturer	Serial or Motor Number	Was property owned on Date (1yr prior to Gov's request) yes or no	\$ Value (FmHA use only)	Was property owned on Date (Day before Gov's request) yes or no	\$ Value (FmHA use only)	Date Current (Value FmHA use only)	HIGHEST OF THREE VALUES
1.											
2.											
3.											
4.											
5.											
6.											
7.											
8.											
9.											
10.											
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17.											
18.											
19.											
20.											
21.											

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ITEMS OF FARM AND OTHER EQUIPMENT

Item No.	Qty.	Kind	Manufacturer and Model	Year of Manufacturer	Serial or Motor Number	Was property owned on Date (1yr prior to Gov's request) yes or no	\$ Value FmHA use only	Was property owned on Date (Day before Gov's request) yes or no	\$ Value (FmHA use only)	Date Current (Value FmHA use only)	HIGHEST OF THREE VALUES
1.											
2.											
3.											
4.											
5.											
6.											
7.											
8.											

I certify that the description of property offered as collateral and the dates of ownership statements made by me on this worksheet are true, complete and correct to the best of my knowledge and belief and are made in good faith to obtain a loan.

Signature of Applicant

DATE

WARNING: SECTION 1001 OF TITLE 18, UNITED STATES CODE PROVIDES:
"WHOEVER, IN ANY MATTER WITHIN THE JURISDICTION OF ANY DEPARTMENT OR AGENCY OF THE UNITED STATES KNOWINGLY AND WILLFULLY FALSIFIES, CONCEALS OR COVERS UP...A MATERIAL FACTS, OR MAKES ANY FALSE, FICTITIOUS OR FRAUDULENT STATEMENTS OR REPRESENTATIONS, OR MAKES OR USES ANY FALSE WRITING OR DOCUMENT KNOWING THE SAME TO CONTAIN ANY FALSE, FICTITIOUS OR FRAUDULENT STATEMENT OR ENTRY, SHALL BE FINED NOT

A. Total Value of Appraised Property.....

\$

B. Total of Secured and Unsecured

Debts to be Paid with Loan Funds.....

\$

C. Other Debt(s) Secured by Lien(s)

on the Appraised Property.....

\$

D. Total Debt (B plus C).....

\$

E. Remaining Equity in the Property

(A minus D).....

\$

DATE:

Signature

Information sources used to

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